

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 EA-10 IO-13 ISO-00 STR-07 AID-05
CEA-01 CIAE-00 COME-00 FRB-03 INR-07 NEA-10
NSAE-00 USIA-06 OPIC-03 SP-02 TRSE-00 LAB-04
SIL-01 AGRE-00 OMB-01 SS-15 ITC-01 INT-05 L-03
XMB-02 DOE-11 SOE-02 IGA-02 MCE-00 OES-07 /142 W
-----105391 312124Z /41

R 312044Z JAN 78
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC 4587
INFO ALL EC CAPITALS
AMEMBASSY TOKYO
USMISSION GENEVA

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USEEC

GENEVA ALSO FOR MTN

PARIS ALSO FOR USOEC

E.O.11652:GDS
TAGS: ETRD, EEC, JA
SUBJECT: EC-JAPAN RELATIONS

REFS: (A) BRUSSELS 1198, (B) STATE 23517, (C) PARIS 2876

1. SUMMARY: COMMISSION OFFICIALS MET WITH JAPANESE
MINISTER USHIBA ON JANUARY 28 TO INDICATE CONTINUED EC
CONCERN WITH SIZE OF ITS TRADE DEFICIT WITH JAPAN AND TO
QUESTION WHETHER JAPANESE WILL ATTAIN GROWTH AND BALANCE
OF PAYMENTS TARGETS RECENTLY ANNOUNCED. COMMISSION
REPORTEDLY PUSHED FOR MORE SPECIFIC TRADE ACTION FROM
JAPAN, WARNED USHIBA OF INCREASING PRESSURE (ESPECIALLY
FROM FRANCE AND UK) FOR RESTRICTIVE ACTION AND SUGGESTED
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THAT JAPANESE PURCHASE OF AIRBUS WOULD HELP IMPROVE
ATMOSPHERE. MISSION HAS RAISED WITH COMMISSION U.S.
VIEWS ON FURTHER US-EC CONSULTATIONS ON JAPAN ALONG
LINES OF REFTEL B. END SUMMARY

2. JAPANESE MINISTER FOR INTERNATIONAL ECONOMIC
RELATIONS USHIBA MET IN RESTRICTED SESSION WITH EC

PRESIDENT JENKINS AND VICE PRESIDENT FOR EXTERNAL RELATIONS HAFERKAMP AND IN A LARGER SESSION WHICH INCLUDED COMMISSIONER FOR INDUSTRY DAVIGNON AND OTHER COMMISSION OFFICIALS ON JANUARY 28. COMMISSION AND JAPANESE MISSION OFFICIALS HAVE PROVIDED US WITH FOLLOWING ACCOUNT OF DISCUSSIONS DURING BOTH MEETINGS.

3. JENKINS AND OTHER COMMISSION OFFICIALS EMPHASIZED THAT MEMBER STATES ARE INTERESTED IN EARLY EVIDENCE THAT JAPANESE ARE TAKING EFFECTIVE ACTION TO REDUCE SIZE OF ITS BILATERAL TRADE SURPLUS WITH EC. THEY TOLD JAPANESE THAT MEMBER STATES WILL RAISE QUESTION AT COUNCIL OF FOREIGN MINISTERS ON FEBRUARY 6-7 AND AGAIN IN THE EUROPEAN COUNCIL OF HEADS OF GOVERNMENT IN APRIL. ONE COMMISSION OFFICIAL EXPRESSED CONCERN THAT JAPANESE MAY STILL BE PERCEIVED BY MEMBER STATES AS DOING TOO LITTLE AND THAT BRITISH AND FRENCH MAY PRESS FOR UNILATERAL COMMUNITY RESTRAINTS PRIOR TO THE APRIL COUNCIL. ACCORDING TO BOTH COMMISSION AND JAPANESE SOURCES, DISCUSSION WAS LOW KEY AND RELATIVELY RELAXED WITH THE EXCEPTION OF COMMISSIONER DAVIGNON WHO TOOK A TOUGH LINE. (A FRENCH MISSION SOURCE TOLD US ON JANUARY 30 THAT MEMBER STATES, INCLUDING FRG, ARE UNANIMOUS IN THINKING THAT COMMISSION HAS BEEN TOO SOFT ON JAPANESE AND THAT COMMISSION PLAN TO WAIT UNTIL END OF YEAR, AND CHANCE TO ASSESS RESULT OF GOJ'S POLICIES, BEFORE MAKING FURTHER

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EC PUSH WILL BE REJECTED AT FOREIGN MINISTERS COUNCIL. INSTEAD HE BELIEVES COMMISSION WILL BE INSTRUCTED TO SEEK FURTHER MOVEMENT FROM JAPANESE, PROBABLY THROUGH BILATERAL TRADE CONCESSIONS AND SEEKING GREATER PRECISION ON HOW GOJ PLANS TO ATTAIN 7 PERCENT GROWTH TARGET).

4. COMMISSION ASKED JAPANESE TO CONSIDER FURTHER ADVANCE TARIFF AND POSSIBLY NON-TARIFF MEASURE IMPROVEMENTS AND REDUCTIONS BEFORE CONCLUSION OF MTN IN GENEVA. COMMISSION SOURCES STATE THAT JAPANESE INDICATED THAT THIS MIGHT BE POSSIBLE AS THE SHAPE OF THE FINAL MTN PACKAGE EMERGES. JAPANESE MISSION REPORTS THAT, ON CONTRARY, USHIBA TOLD THE EC THIS WOULD BE NEARLY IMPOSSIBLE TO DO AND THAT EC SHOULD LOOK MORE CLOSELY AT TARIFF REDUCTIONS ALREADY AGREED DURING AMBASSADOR STRAUSS' VISIT TO TOKYO. JAPANESE TOLD EC THAT THESE REDUCTIONS WERE MEANT TO APPLY ON A GLOBAL BASIS AND THAT EC COULD BENEFIT FROM THEM.

5. ON JAPANESE GROWTH TARGET OF 7 PERCENT, JAPANESE MISSION STATES THAT USHIBA MADE CLEAR TO COMMISSION THAT THE 7 PERCENT SHOULD NOT BE VIEWED AS AN EXTERNAL

COMMITMENT BUT RATHER AS A DOMESTIC TARGET WHICH THE JAPANESE GOVERNMENT IS DETERMINED TO PURSUE. COMMISSION SOURCES TELL US THAT THEY DID NOT SUGGEST A HIGHER TARGET THAN 7 PERCENT BUT ASKED JAPANESE WHETHER MEASURES ANNOUNCED WILL BE SUFFICIENT TO MEET IT. USHIBA REPLIED THAT 7 PERCENT FIGURE MAY NOT BE ATTAINED UNTIL THE BEGINNING OF 1979 BUT THAT JAPANESE INTENTIONS ARE FIRM AND THAT THE SITUATION WILL BEGIN TO BE CLEARER BEFORE THE END OF 1978.

6. JAPANESE MISSION ALSO STATES THAT USHIBA INDICATED GOJ WOULD WORK TO BRING DOWN OVERALL CURRENT ACCOUNT SURPLUS AND THAT THE TARGET WHICH GOJ HAS IMPOSED ON

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R 312044Z JAN 78
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ITSELF IS TO BRING SURPLUS DOWN TO ABOUT \$6 BILLION FOR THE FISCAL YEAR BEGINNING IN APRIL 1978. MORE SPECIFICALLY, USHIBA REPORTEDLY SAID JAPANESE EXPECT SURPLUS TO BE RUNNING AT ANNUAL RATE OF \$7 BILLION BY OCTOBER AND \$5 BILLION BY NEXT MARCH. ACCORDING TO COMMISSION, USHIBA ALSO STATED THAT GOJ BELIEVES THE MAJOR CONTRIBUTION IT CAN MAKE TO STABILIZING THE DOLLAR WOULD BE TO STABILIZE THE YEN AND THAT THE ONLY WAY TO DO THAT WOULD BE TO CUT DEEPLY INTO JAPAN'S CURRENT ACCOUNT SURPLUS.

7. ON AIRBUS, COMMISSION SOURCES TELL US THAT THEY INDICATED TO USHIBA THAT PURCHASE OF THIS PLANE BY

JAPANESE AIRLINES WOULD BE REGARDED IN EUROPE AS AN
IMPORTANT SIGN THAT THE JAPANESE WERE IN EARNEST.

8. IN ADDITION TO ABOVE POINTS, LARGE PART OF DISCUSSION
WAS DEVOTED TO A REVIEW OF A NUMBER OF EC REQUESTS FOR
MORE LIBERAL TREATMENT FOR EC EXPORTS FOR PROCESSED
AGRICULTURAL PRODUCTS, PHARMACEUTICALS AND INDUSTRIAL
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PRODUCTS. USHIBA INDICATED THAT GOJ WILL CONTINUE TO
SEEK AGREED SOLUTIONS WITH EC ON THESE SUBJECTS.

9. COMMISSION TOLD USHIBA THAT THEY WILL WANT TO STAY
IN CLOSE TOUCH WITH GOJ AND USHIBA AGREED. COMMISSION
ALSO TELLS US THAT IT SUGGESTED TO USHIBA THAT PRIME
MINISTER FUKUDA'S ITINERARY FOR HIS EUROPEAN TOUR, WHICH
THEY EXPECT TO TAKE PLACE SOMETIME THIS SUMMER, BE
ANNOUNCED WELL IN ADVANCE TO COUNTER ANY IMPRESSION IN
MEMBER STATES THAT IT HAD BEEN LAID ON ONLY AS AN AFTER-
THOUGHT TO POSSIBLE U.S. VISIT.

10. USEC DCM TOOK OCCASION OF CONVERSATION WITH EC
DIRECTOR FOR JAPAN AND NORTH AMERICA MEYNELL TO MAKE
POINTS CONTAINED IN REFTEL B WITH RESPECT TO FURTHER
US-EC CONSULTATIONS ON JAPAN. MEYNELL TOOK CAREFUL NOTE
AND SAID HE WOULD CONVEY U.S. THINKING TO HAERKAMP AND
DENMAN. HE ADDED THAT THE COMMISSION IS IN FULL
AGREEMENT WITH THE LINE THE U.S. HAS TAKEN WITH BRITISH
GOVERNMENT AND IS IN FACT ANNOYED THAT THE U.K. CONTINUES
TO APPROACH THE USG WITH A HARDER LINE ON THIS SUBJECT.
MEYNELL CALLED LATER TO CONFIRM THAT ROY DENMAN FULLY
SHARES THIS VIEW, ADDING LATTER'S PARTICULAR IRRITATION
WITH BUTLER WHO, "GIVEN COMMUNITY COMPETENCE IN THIS
AREA, IS JUST TRYING TO FIND SOMETHING TO DO". HINTON

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Message Attributes

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